

核數報告
Audit Report

SOWERS ACTION

苗圃行動

(incorporated in Hong Kong with limited liability by guarantee)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
COST			
At July 1, 2008	302,147	139,508	441,655
Disposals	-	(26,500)	(26,500)
At June 30, 2009	302,147	113,008	415,155
Additions	-	247,788	247,788
At June 30, 2010	302,147	360,796	662,943
DEPRECIATION			
At July 1, 2008	56,652	42,922	99,574
Provided for the year	75,537	30,755	106,292
Elimination on disposals	-	(15,458)	(15,458)
At June 30, 2010	132,189	58,219	190,408
Provided for the year	75,537	26,785	102,322
At June 30, 2010	207,726	85,004	292,730
CARRYING VALUES			
At June 30, 2010	94,421	275,792	370,213
At June 30, 2009	169,958	54,789	224,747

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	25%
Furniture and equipment	20% - 25%

7. FIXED DEPOSITS/BANK BALANCES

Fixed deposits and bank balances includes short-term bank deposits with an original maturity of twelve months or less. The deposits carry interest at prevailing market rate ranging from 0.01% to 1.98% (2009: 0.01% to 1.98%) per annum.

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8. OPERATING LEASE COMMITMENT

The minimum lease payments under operating leases in respect of the office premises and photocopier during the year amounting to HK\$300,869 (2009: HK\$302,668).

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 HK\$	2009 HK\$
Within one year	314,148	58,224
In the second to fifth year inclusive	117,379	94,050
	<u>431,527</u>	<u>152,274</u>

Operating lease payments represent rentals payable by the Company for its office premises and photocopier. Leases are negotiated and fixed for an average term of one year and four years respectively.

9. OTHER COMMITMENTS

Commitments to contribute funds to the Foundation Education Program in the PRC:

	2010 HK\$	2009 HK\$
Contracted but not provided for	29,288,949	31,638,370
Authorised but not contracted for	30,196,921	45,881,769
	<u>59,485,870</u>	<u>77,520,139</u>

10. RELATED PARTY TRANSACTIONS

Other than the remuneration of key management personnels during the year stated as follows, the directors are not aware of any other related party transactions for both years.

	2010 HK\$	2009 HK\$
Short-term benefits	394,964	148,929
Post-employment benefits	12,000	6,000
	<u>406,964</u>	<u>154,929</u>

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4. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(i) Market risk - continued

(ii) *Interest rate risk*

The Company is exposed to fair value interest rate risk in relation to fixed-rate bank deposits.

The Company also exposed to cash flow interest rate risk in relation to variable-rate bank balances. It is the Company's policy to keep fixed-rate deposits so as to minimise fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments. For variable-rate bank deposits, the analysis is prepared assuming the amount of assets outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis points (2009: 10 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2009: 10 basis points) higher/lower and all other variables were held constant, the Company's deficit for the year ended June 30, 2010 would decrease/increase by HK\$33,290 (2009: surplus increase/decrease by HK\$27,391). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

(ii) Credit risk

As at June 30, 2010, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

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4. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(iii) Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

All of the Company's financial liabilities are repayable on demand.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in financial statements approximate their fair values.

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements of the Company as the Company is an approved charitable institution. It is exempted from payment of tax by virtue of Section 88 of the Inland Revenue Ordinance.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Administration Fund for Non-Recurring Projects

The purpose of the Administration Fund for Non-Recurring Projects is to provide funding for the pre-operating administrative expenses incurred for non-recurring projects of the Company. The fund was established on January 1, 2006.

512 Sichuan Earthquake Relief Education Fund

The purposes of the 512 Sichuan Earthquake Relief Education Fund are to rebuild schools, to provide basic living necessities to children and to install temporary schooling facilities in the disaster areas.

Perpetual Education Aid Fund

The purpose of the Perpetual Education Aid Fund is to accumulate and apply its investment income or interest to support and finance students in PRC to pursue study.

Perpetual Operation Fund

The purpose of the Perpetual Operation Fund is to accumulate and apply its investment income or interest for financing any recurring or re-accruing expenditure of the Company and any other costs that are directly or indirectly required to maintain the daily operation and the existence of the Company.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 HK\$	2009 HK\$
Financial assets		
<i>Loans and receivables</i>		
Other receivables	1,882,799	1,485,003
Fixed deposits	75,608,130	93,026,936
Bank balances	37,322,880	27,865,010
	<u>114,813,809</u>	<u>122,376,949</u>
Financial liabilities		
<i>Financial liabilities stated at amortised cost</i>		
Other payables	<u>7,275,852</u>	<u>6,973,087</u>

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4. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies

The Company's major financial instruments include other receivables, fixed deposits, bank balances and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company's overall policies remain unchanged from prior year.

(i) Market risk

(i) Currency risk

The Company operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars ("HKD").

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Renminbi	<u>87,218,386</u>	<u>81,218,293</u>	<u>7,140,341</u>	<u>6,945,009</u>

Sensitivity analysis

The Company is mainly exposed to the Renminbi ("RMB").

The following table details the Company sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in deficit or an increase in surplus where RMB strengthen 5% against HKD. For a 5% weakening of RMB against HKD, there would be an equal and opposite impact on the deficit/surplus.

	<u>RMB</u>	
	2010 HK\$	2009 HK\$
Deficit/surplus for the year	<u>4,003,902</u>	<u>3,713,664</u>

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

For financial assets carried at amortised cost, an impairment loss is recognised in the statement of comprehensive income and expenditure when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Company's financial liabilities are mainly other payables which are subsequently measured at amortised cost, using the effective interest method.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivables and the cumulative gain or loss that had been recognised directly in reserve is recognised in the statement of comprehensive income and expenditure.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income and expenditure.

Deferred income

Contribution (not including donations for education) received prior to the commencement and completion of a project is deferred. Upon completion of the project, the contribution net of related expenses incurred for the project is credited/charged to statement of comprehensive income and expenditure.

Long March for Education Project is an activity jointly hosted by the Company and China Youth Development Foundation. The income or expenditure arising from contribution for administrative expenditure and the related administrative expenses incurred prior to the completion of this activity is deferred and will be recognised to statement of comprehensive income and expenditure when the activity is completed.

Chinese Education Fund

The purpose of the Chinese Education Fund is to support and finance the development of the Education Program in the PRC.

Administration Fund

The purpose of the Administration Fund is to finance the administrative expenditure of the Company.

Development Fund

The purpose of the Development Fund is to finance the development of the Education Program in the PRC and the administrative expenditure of the Company.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statement of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Company operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the statement of comprehensive income and expenditure in the period in which they arise.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

The Company is exempted under Section 88 of the Inland Revenue Ordinance from any tax levied in Hong Kong by reason of being a charitable institution or trust of a public character.

Impairment losses

At the end of the reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income and expenditure.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

The Company's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, fixed deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, and increase in the number of delayed payment in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Company for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after July 1, 2009.

² Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.

³ Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

⁴ Effective for annual periods beginning on or after January 1, 2010.

⁵ Effective for annual periods beginning on or after February 1, 2010.

⁶ Effective for annual periods beginning on or after July 1, 2010.

⁷ Effective for annual periods beginning on or after January 1, 2011.

⁸ Effective for annual periods beginning on or after January 1, 2013.

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and include applicable disclosures required by the Hong Kong Companies Ordinance.

Income and expenditure

Income and expenditure is accounted for on an accrual basis, except for donations which are accounted for on a cash basis.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income and expenditure in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Operating lease payments are recognised as an expense on a straight line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight line basis.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES		
(Deficit) surplus for the year	(9,122,406)	26,571,815
Adjustments for:		
Depreciation of property, plant and equipment	102,322	106,292
Interest on a finance lease	-	1,005
Gain on disposal of property, plant and equipment	-	(1,753)
Interest income	(1,851,952)	(2,422,228)
Operating cash flows before movements in working capital	(10,872,036)	24,255,131
Increase in other receivables, prepayments and deposits	(392,563)	(526,642)
Decrease in investments held for trading	-	2,212,132
Increase in other payables and accrued charges	419,927	1,771,168
Increase in deferred income	1,238,427	1,283,995
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(9,606,245)	28,995,784
INVESTING ACTIVITIES		
Decrease (increase) in fixed deposits with more than three months to maturity when raised	8,606,372	(16,090,655)
Interest income received	1,851,952	2,422,228
Purchase of property, plant and equipment	(247,788)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	10,210,536	(13,668,427)
FINANCING ACTIVITIES		
Repayment of obligations under a finance lease	-	(3,499)
Interest on a finance lease	-	(1,005)
CASH USED IN FINANCING ACTIVITIES	-	(4,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	604,291	15,322,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	85,967,464	70,644,611
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	86,571,755	85,967,464
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Fixed deposits	75,608,130	93,026,936
Bank balances and cash	37,322,880	27,906,155
	112,931,010	120,933,091
Less: Fixed deposits with more than three months to maturity when raised	(26,359,255)	(34,965,627)
	86,571,755	85,967,464

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. GENERAL

The Company is incorporated in Hong Kong with limited liability by guarantee. The address of the registered office and principal place of business of the Company is Unit no. 101, 1/F Sunbeam Plaza, 1155 Canton Road, Kowloon, Hong Kong.

The Company continued to engage in funds raising to support the operations of the Education Program in the People's Republic of China (the "PRC").

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard ("HFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2010

	NOTES	2010 HK\$	2009 HK\$
Non-current asset			
Property, plant and equipment	6	370,213	224,747
Current assets			
Other receivables, prepayments and deposits		2,030,946	1,638,383
Fixed deposits	7	75,608,130	93,026,936
Bank balances and cash	7	37,322,880	27,906,155
		<u>114,961,956</u>	<u>122,571,474</u>
Current liabilities			
Other payables and accrued charges		7,415,432	6,995,505
Deferred income		3,342,491	2,104,064
		<u>10,757,923</u>	<u>9,099,569</u>
Net current assets		<u>104,204,033</u>	<u>113,471,905</u>
Total assets less current liabilities		<u>104,574,246</u>	<u>113,696,652</u>
Reserves		<u>104,574,246</u>	<u>113,696,652</u>

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Chinese Education Fund HK\$	Administration Fund HK\$	Development Fund HK\$	Administration Fund for Non-Recurring Projects HK\$	512 Sichuan Earthquake Relief Education Fund HK\$	Perpetual Education Aid Fund HK\$	Perpetual Operation Fund HK\$	Total HK\$
At July 1, 2008	64,444,842	4,051,405	1,005,739	1,127,677	16,495,174	-	-	87,124,837
Transfer (to) from surplus for the year	(1,031,325)	1,271,111	2,227,187	12,252	24,092,590	-	-	26,571,815
At June 30, 2009	63,413,517	5,322,516	3,232,926	1,139,929	40,587,764	-	-	113,696,652
Transfer (to) from deficit for the year	955,584	134,999	1,573,445	854	(11,517,827)	20,300	10,239	(9,122,406)
At June 30, 2010	<u>64,369,101</u>	<u>5,457,515</u>	<u>4,806,371</u>	<u>1,140,783</u>	<u>28,769,937</u>	<u>20,300</u>	<u>10,239</u>	<u>104,574,246</u>

The financial statements on pages 5 to 22 were approved and authorised for issue by the Board of Directors on August 31, 2010 and are signed on its behalf by:

DIRECTOR

DIRECTOR

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**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2010**

	2010 HK\$	2009 HK\$
INCOME		
Contribution from Ancient Tea Horse Route	729,125	-
Contribution from Challenging 12 Hours Project	2,422,864	1,742,938
Contribution from Charity Golf Tournament	277,600	608,113
Contribution from Long March for Education Project - 2008 Gansu	-	557,795
Contribution from Long March for Education Project - 2009 Yunnan	2,523,604	28,130
Contribution from Walk to Guangzhou Project	2,412,354	2,932,223
Contribution from 512 Walker Project	5,035,644	2,336,174
Contribution from 512 Sichuan Earthquake Relief Education Fund	11,056,607	30,914,709
Contribution from Cycling for Education	787,364	-
Contribution from Qinghai Earthquake	123,490	-
Donations	24,886,973	29,071,413
Interest income	1,851,952	2,422,228
Subscription fees	133,734	96,780
Gain on disposal of property, plant and equipment	-	1,753
Exchange gain	265,298	1,041,620
	<u>52,506,609</u>	<u>71,753,876</u>
EXPENDITURE ON EDUCATION PROGRAM		
Contribution to Education Program		
- General	27,043,280	27,965,382
- Long March for Education Project	1,824,737	3,084,755
- 512 Sichuan Earthquake Relief Education Fund	27,910,077	9,158,294
	<u>56,778,094</u>	<u>40,208,431</u>
Traveling subsidies to work group	220,082	283,813
TOTAL EXPENDITURE ON EDUCATION PROGRAM	<u>56,998,176</u>	<u>40,492,244</u>
PROMOTIONAL EXPENDITURE		
Promotion	82,083	3,416
ADMINISTRATIVE EXPENDITURE		
Auditor's remuneration	-	-
Bank charges	29,031	28,215
Computer accessories	200,253	256,118
Contribution to retirement benefit scheme	115,883	110,056
Depreciation of property, plant and equipment	102,322	106,292
Directors' remuneration	-	-
Office expenses	919,361	1,232,243
Other staff costs	2,831,963	2,562,590
Postage	79,366	94,911
Printing and stationery	129,534	180,215
Sundries	106,409	70,865
Telephone and facsimile	18,858	22,505
Travelling	15,776	9,574
TOTAL ADMINISTRATIVE EXPENDITURE	<u>4,548,756</u>	<u>4,673,584</u>

SOWERS ACTION

苗圃行動

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	2010 HK\$	2009 HK\$
OTHER EXPENSES		
Loss on disposal of investments held for trading	-	11,812
FINANCE COSTS		
Interest on a finance lease	-	1,005
TOTAL EXPENDITURE	<u>61,629,015</u>	<u>45,182,061</u>
(DEFICIT) SURPLUS FOR THE YEAR	<u>(9,112,406)</u>	<u>26,571,815</u>



THE INDEPENDENT HONORARY AUDITOR'S REPORT

TO THE MEMBERS OF SOWERS ACTION

苗圃行動

(incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Sowers Action (the "Company") set out on pages 5 to 22, which comprise the statement of financial position as at June 30, 2010, and the statement of comprehensive income and expenditure, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE INDEPENDENT HONORARY AUDITOR'S REPORT

TO THE MEMBERS OF SOWERS ACTION - continued

苗圃行動

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Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at June 30, 2010 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 31, 2010

SOWERS ACTION

苗圃行動

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended June 30, 2010.

PRINCIPAL ACTIVITY

The Company continued to engage in funds raising to support the operations of the Education Program in the People's Republic of China.

RESULTS

The results of the Company for year ended June 30, 2010 are set out in the statement of comprehensive income and expenditure on pages 5 and 6.

FIXED ASSETS

Details of movements in the Company's property, plant and equipment during the year are set out in note 6 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Lui Wing On (Chairman)

Au Ho (Vice Chairman)

Mo Sik Keung (Vice Chairman)

Li Suet Ping, Vickie (Vice Chairman)

Cheung Kwan Hing

Yau Chi Keung

Ng Kwok Keung

Leung Yuk Kit

Cheung Sui Lam

(resigned on October 11, 2009)

(resigned and re-appointed on October 11, 2009)

(resigned and re-appointed on October 11, 2009)

(resigned on October 11, 2009)

(resigned on October 11, 2009)

In accordance with Article 44(b) of the Company's Articles of Association, Lui Wing On, Au Ho, Mo Sik Keung and Yau Chi Keung will retire but eligible for re-election.

SOWERS ACTION

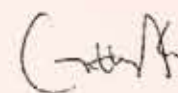
苗圃行動

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AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the honorary auditor of the Company.

On behalf of the Board



DIRECTOR

August 31, 2010